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DEPT FOR S/SRAP AND SCA/A
TREASURY FOR LMC DONALD, MNUGENT, JCASAL, AKIFAYAT

E.O. 12958: N/A
TAGS: [EFIN](#) [EAID](#) [PGOV](#) [PREL](#) [AF](#)
SUBJECT: Afghanistan's Heavily Indebted Poor Countries (HIPC)
Completion Point: Awaiting Mining Sector Reforms

¶1. (SBU) Summary: On December 7, Coordinating Director for Development and Economic Affairs, E. Anthony Wayne raised U.S. concerns with Afghan Finance Minister Zakhilwal that the Government of the Islamic Republic of Afghanistan (GIROA) may not satisfy the mining trigger needed to reach its HIPC completion point by the next IMF Board Review (scheduled for January 13). The mining trigger requires that GIROA enact and implement improved mining and hydrocarbon regulations and establish a cadastre of mining contracts. GIROA has completed all of the required actions except finalizing and signing the regulations into law. Zakhilwal told Ambassador Wayne that he hoped to bring the mining regulations up for cabinet approval next Monday, December 14, following a World Bank review. The Mission is currently following up with World Bank staff on the feasibility of reviewing the voluminous mining regulations within such a short period of time and, if not feasible, options available to ensure an adequate review by international parties. Minister Zakhilwal also requested that the USG provide him with any information pertaining to recent allegations against the Minister of Mines so Afghans could take forward this investigation of charges. End summary.

OUTSTANDING MINING TRIGGER STANDS IN WAY OF DEBT RELIEF
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¶2. (SBU) Ambassador Wayne indicated the U.S. had concerns about the issuance of a waiver on the mining trigger, which has been recommended by the World Bank and IMF, in light of recent allegations in the U.S. press that the Minister of Mines received a payment of \$30 million during the bidding process for the Aynak Copper Mine. (NOTE: Reaching the HIPC completion point would provide GIROA with approximately \$1 billion in debt relief. GIROA has made substantial progress on all of the triggers but failure to satisfy the mining trigger may prevent GIROA from reaching HIPC completion. The Mining Trigger requires that GIROA implement more stringent mineral and hydrocarbon regulations. While the Parliament has passed the requisite legislation, the Cabinet has not signed the regulations into law.)

¶3. (SBU) Minister Zakhilwal stated his intention to have the World Bank evaluate the mining regulations this week, following which, he would send them to the Cabinet for review next Monday, December 14. He said his hope is that the Cabinet will pass the regulations by the end of next week. Minister Zakhilwal also expressed confidence that President Karzai would appoint a new, cleaner, and more competent Minister of Mines. Zakhilwal said he had suggested two candidates and Karzai said to him he would go with one of them. (NOTE: The Mission has scheduled a meeting with the World Bank's Mining Team for December 9 to discuss whether Minister Zakhilwal's proposed timetable provides enough time for the Bank to review the regulations. End note.)

¶4. (SBU) Minister Zakhilwal tried to allay USG concerns by citing GIROA progress to date on mining reforms. Pursuant to the mining

trigger, GIROA has created a cadastre for mining contracts (essentially an information clearing house), enacted the Extractive Industries Transparency Initiative, and passed legislation on hydrocarbon and mineral regulations. The only remaining action is for the Afghan Cabinet to approve the mining regulations. This step has been delayed due to the reluctance of the current Minister of Mines to act affirmatively.

15. (SBU) Minister Zakhilwal requested that the USG share any available information pertaining to press claims of corruption and bribery made against the Minister of Mines with the Ministry of Finance so the GIROA can take its ongoing investigations of the allegations forward. (Separately the Attorney General told the Justice attach that his prosecutors needed more information/evidence to pursue their investigations. Zakhilwal said his office is currently reviewing approximately 100 of the existing 177 mining contracts for irregularities. He has requested the others. Ambassador Wayne promised to follow up on the Minister's. (Note: In a subsequent meeting, a World Bank staffer stated his belief that the Aynak Copper Mine bidding and contracting processes followed the legal procedures and "appeared to be a good deal." This did not however preclude the possibility of side payments to the Minister of Mines, he said. End note.)

16. (SBU) Comment: We are following up with World Bank staff and their visiting Mining Team on December 9 to ascertain when they will complete their review of the mining regulations, which is reportedly a 1500-page Dari language document. We will report this discussion by septel. End Comment.

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